



# Value for money annual report

**Report on value for money in the  
Office for Students for 2019-20**

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**Enquiries to** [Tim.Jenkinson@officeforstudents.org.uk](mailto:Tim.Jenkinson@officeforstudents.org.uk)

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# Introduction and background

In October 2019 the Office for Students (OfS) published its value for money (VfM) strategy.<sup>1</sup> The strategy sets out our approach to our statutory duty to promote value for money in the provision of higher education. It also addresses our statutory duty to have regard to the need to use our resources in an efficient, effective and economic way – our fifth strategic objective is to be an efficient and effective regulator to support delivery of our student-focused strategic objectives.<sup>2</sup>

This report focuses on the efficient, effective and economic use of the OfS's resources within the organisation.

We have developed internal plans for improving the organisational value for money of the OfS. This means we embed value for money in our decision making, measure our performance, procure goods and services effectively, and make best use of our staff, office space and technology. All this helps us to carry out our activities at lower cost, or with greater efficiency and effectiveness.

This report is a review of value for money processes and initiatives within the OfS. It focuses on financial year 2019-20, building and providing more detail in relation to the statement in our statutory accounts:

'We have an internal value for money strategy which involves continuous review across all our resources (staff, office space, IT, procurement and contract management). To ensure regular focus on value for money by senior management, we are developing a VfM scorecard – and continue to add indicators to this. We intend to publish our approach to delivering VfM within the OfS and our 2019-20 financial year performance against a range of indicators by autumn 2020.'<sup>3</sup>

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<sup>1</sup> Our strategy is available at [www.officeforstudents.org.uk/publications/value-for-money-strategy/](http://www.officeforstudents.org.uk/publications/value-for-money-strategy/).

<sup>2</sup> See [www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/).

<sup>3</sup> See page 36 of our annual report and accounts: [www.officeforstudents.org.uk/publications/annual-report-and-accounts-2019-20/](http://www.officeforstudents.org.uk/publications/annual-report-and-accounts-2019-20/).

# What is value for money?

1. Value for money (VfM) is about maintaining the right balance between economy, efficiency and effectiveness – that is, where successful delivery of outcomes is achieved for an appropriate level of cost. It is not just about minimising costs, although managing cost is clearly an important element. It is also about determining the appropriate services to be delivered that take into account and manage the organisation's priorities and expectations.
2. We use the following definitions and meanings within the OfS:
  - a. Economy – using the minimum level of resources for a given service level. This means that where similar services are offered we will choose the lowest cost option. For example using cheaper off-peak train travel when possible.
  - b. Efficient – maximising delivery of services within a given level of resource. This means that we will choose options that maximise what we can deliver within the agreed cost or budget. Through automating and standardising processes we are able to be more efficient.
  - c. Effective – taking the most appropriate actions to meet objectives. This means that the options we choose must help us deliver the objectives we set. Within the context of the operations of the OfS, this means having the right systems and processes to be an efficient and effective regulator.
3. The government has set out a number of key principles for the management of public resources that public bodies must reflect in their operations.<sup>4</sup> They include achieving value for money. There is an explicit responsibility on accounting officers to ensure an organisation's procurement, projects and processes provide good value.
4. In accordance with these principles, the OfS chief executive, as accounting officer, is responsible for ensuring that the OfS's use of public funds represents value for money through sound financial management. The OfS should:
  - use its resources efficiently, economically and effectively, avoiding waste and extravagance
  - plan to use its resources on an affordable and sustainable path, within agreed limits
  - carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for the Exchequer as a whole
  - use management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments
  - avoid over defining detail and imposing undue compliance costs, either internally or on its customers and stakeholders
  - have practical documented arrangements for controlling or working in partnership with other organisations, as appropriate
  - use internal and external audit to improve its internal controls and performance.

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<sup>4</sup> See <https://www.gov.uk/government/publications/managing-public-money>.

5. Delivering VfM across all our activities will ensure the OfS delivers the best services for the resources available. The resources we have are provided by the provider registration fees. By delivering VfM we will be able to minimise the costs to the sector.
6. Value for money should be embedded in everything we do. As a regulator it is important we achieve the best value when providing services and regulation.

# The Office for Students' approach to value for money

7. In October 2019 the Office for Students (OfS) published its value for money (VfM) strategy.<sup>5</sup> The strategy sets out our approach to our statutory duty to promote value for money in the provision of higher education. It also addresses our statutory duty to have regard to the need to use our resources in an efficient, effective and economic way. This report focuses what we are doing to ensure we are using our resources in an efficient, effective and economic way.
8. The OfS has a strategic objective of being an efficient and effective regulator – our fifth strategic objective is to be an efficient and effective regulator to support delivery of our student-focused strategic objectives.<sup>6</sup> To deliver this we have three strategic outcomes which are reflected in our 2019-20 business plan:<sup>7</sup>
  - The OfS is a well-managed and appropriately structured organisation, which supports and develops its staff to enable delivery of its objectives
  - The OfS has the right systems and process infrastructure and resources to support delivery of its objectives
  - The regulatory burden for providers is minimised.
9. As set out in the VfM strategy, during 2019-20 the OfS developed a plan to deliver VfM within the organisation.<sup>8</sup> This plan defines what the OfS means by VfM and why this is important to the OfS as an organisation. It established a set of VfM objectives for the organisation, to:
  - a. integrate VfM principles within existing planning and review processes and embed the pursuit of economy, efficiency and effectiveness within operational management, policies and procedures
  - b. respond to opportunities to enhance the economy, efficiency and effectiveness of activities and adopt recognised good practice where this makes sense
  - c. recognise that the majority of our expenditure is staff costs and that to deliver VfM will require appropriate management of staff and recruitment
  - d. undertake VfM studies on areas of activity identified as worthy of review and apply the lessons learned to other areas of the OfS
  - e. promote a culture of continuous improvement

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<sup>5</sup> See [www.officeforstudents.org.uk/publications/value-for-money-strategy/](http://www.officeforstudents.org.uk/publications/value-for-money-strategy/).

<sup>6</sup> See [www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/).

<sup>7</sup> See [www.officeforstudents.org.uk/about/our-business-plan/](http://www.officeforstudents.org.uk/about/our-business-plan/).

<sup>8</sup> See page 14 of our VfM strategy, available at [www.officeforstudents.org.uk/publications/value-for-money-strategy/](http://www.officeforstudents.org.uk/publications/value-for-money-strategy/).

- f. ensure that all staff recognise their continuing obligation to seek VfM for the OfS as part of their routine activities
  - g. benchmark our activities against other similar activities and organisations where this is considered useful
  - h. have a robust approach to strategic decisions ensuring that VfM is a key element within the decision-making process e.g. investment or divestment
  - i. demonstrate actively to both internal and external stakeholders that the achievement of VfM is sought in all activities undertaken by the OfS.
10. The OfS is funded almost entirely by registration fees paid by registered higher education providers. We have a responsibility to use this money as economically, efficiently and effectively as possible.
11. Developing value for money of the OfS will enable us to maximise our regulatory impact within a limited resource envelope through improving the way we work and appropriate targeting of resources.

# Delivering value for money in financial year 2019-20

12. To deliver the VfM plan we identified critical areas of activity. These are summarised in the following paragraphs along with key activities during 2019-20.

## Embedding a VfM culture throughout the organisation

13. We are working on a number of fronts to achieve a VfM culture:

- New policies, projects and activities should have a VfM assessment.
- Developing an understanding the costs and outcomes of our services, enabling us to make informed decisions on how we spend our resources.
- Active performance management and scrutiny on budgets and management accounts.
- Performance measures and targets which drive and deliver improved VfM performance.
- Training and developing colleagues at different levels in our organisation to embed a VfM culture across the OfS, so that it is an integral part of our day-to-day activity. We want a culture that encourages continuous improvement, efficiency and value for money, to fulfil the OfS's regulatory role and mission.

14. We ensure effective use of resources through clear organisational objectives and associated monitoring processes. The OfS strategy 2018 to 2021<sup>9</sup> sets out objectives for the OfS (including performance indicators), structured around the four regulatory objectives<sup>10</sup> plus an additional objective focused on the efficient and effective operation of the OfS as an organisation.<sup>11</sup> These objectives were also reflected in our 2019-20 business plan.<sup>12</sup> To deliver this, the strategy has three outcomes which relate to the operational value for money of the OfS:

- The OfS is a well-managed and appropriately structured organisation, which supports and develops its staff to enable delivery of its objectives.
- The OfS has the right systems and process infrastructure and resources to support delivery of its objectives.
- The regulatory burden for providers is minimised.

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<sup>9</sup> See [www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/](http://www.officeforstudents.org.uk/publications/office-for-students-strategy-2018-to-2021/).

<sup>10</sup> See our regulatory objectives: [www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/).

<sup>11</sup> See [www.officeforstudents.org.uk/about/our-strategy/](http://www.officeforstudents.org.uk/about/our-strategy/).

<sup>12</sup> See [www.officeforstudents.org.uk/about/our-business-plan/](http://www.officeforstudents.org.uk/about/our-business-plan/).



15. Management information providing assurance on value for money, such as the chief executive's reports, business plan progress reports and quarterly finance reports, are regularly provided to the OfS board. All board and Risk and Audit Committee papers are required to consider resources and risk implications for the OfS.
16. In 2019-20, the OfS received a budgeted administration allocation from the Department for Education (DfE) of £9,394,000. The total administrative spend for the year on OfS activities was £9,294,000, an underspend of £100,000 (1 per cent) against budget.

## **Effective procurement and active contract management**

17. We seek to utilise effective procurement that supports the values of the OfS while delivering VfM. This includes ensuring that procurement and contract management is based upon suitable specifications, whole-life costing and affordability, to deliver best value.
18. Procurement is, wherever feasible, carried out through open competition to achieve value for money. Guidance sets out the authority limits, thresholds and procedures to be followed and reminds staff of the need for regularity and propriety in expenditure incurred, and the need to secure value for money from public funds.
19. The requisition process implemented as part of the finance system requires approval at the point of requisition to allow automatic matching, providing system-generated controls over expenditure.
20. The OfS procurement team generated savings of £292,813 in 2019-20. All of these were direct price-based savings (savings measured in comparison with previous price paid for a service or for new contracts against the average price of all acceptable tenders). They were for a mixture of professional services, research, IT and FM based requirements.
21. In addition, the team have continuously improved processes throughout the year. During this time, a new contract management system, Delta e-Sourcing, was rolled out to 46 contract managers. It will help OfS staff ensure that value is delivered by our suppliers throughout the duration of their contracts.

## **Recruiting and retaining highly motivated staff**

22. The largest item of recurrent expenditure for the OfS is staff salaries and associated costs. Managing our staff effectively is therefore vital for the delivery of VfM. This includes having robust HR procedures so we recruit the right people and ensure they have the skills and motivation to deliver maximum return on the OfS's investment in its staff. This should be complemented by an effective staff performance appraisal system to address poor performance and provide training and career development where appropriate.
23. The OfS conducts an annual survey of all our employees. The results of the surveys influence our policies and procedures in respect of staffing.

24. Indicators of staff productivity and engagement, including absence, are regularly monitored. In 2019-20 staff absence was 6.0 days per full-time equivalent (FTE). This compares with an average of 8.0 days for government public service bodies and 4.3 for private sector services.<sup>13</sup>
25. Economy in terms of staff costs is maintained. In keeping with Cabinet Office and HM Treasury guidance on public sector pay, the OfS made annual pay awards of between 2 per cent (bands 9-12) and 3.5 per cent (bands 2-8). All eligible employees received this increase with effect from 1 August 2019.
26. The remuneration of the chief executive and the Director of Fair Access and Participation (DFAP) are determined by the Secretary of State for Education. These, with the remuneration of the other senior employees, are reported in our annual report and accounts.<sup>14</sup>
27. During 2019-20 further development of our HR systems (in Workday) included the roll out of learning and development, and performance management modules to all staff:
- a. **Learning and development:** the OfS recognises that a stimulating and worthwhile programme of learning and development is an integral part of staff development. This programme has four strands: 'OfS essentials' (mandatory training for all staff); personal development; technical and professional development; and formal long-term development.
  - b. **Performance management:** enabling staff and managers to electronically set and record their individual objectives at the start of 2020-21 and utilise the system to gather feedback and host mid and end of year reviews. Using the Workday system for performance enables us to monitor how well we are managing performance as part of our corporate governance processes.
28. Work also started on developing a competency framework for all staff which will be rolled out in 2020-21. This is designed to encourage specific behaviours (amongst others) that lead to motivated staff who are well-led, clear about the OfS's purpose, engaged in their work, and well-supported to produce high quality, and cost-efficient services. In future we will integrate the framework into our performance management and assessment processes.

## Maximising the use of resources

29. The OfS encourages continuous review of performance across all areas to ensure that best use is made of available resources (staff, office space, IT, etc.) and that all aspects are being optimised in terms of VfM. As part of this, we need to ensure that our infrastructure remains fit for purpose and is fully utilised.

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<sup>13</sup> Figures are from the CIPD Report 2020 (Health and well-being at work), available at [https://www.cipd.co.uk/Images/health-and-well-being-2020-report\\_tcm18-73967.pdf](https://www.cipd.co.uk/Images/health-and-well-being-2020-report_tcm18-73967.pdf) [PDF].

<sup>14</sup> See [www.officeforstudents.org.uk/publications/annual-report-and-accounts-2019-20/](http://www.officeforstudents.org.uk/publications/annual-report-and-accounts-2019-20/).

30. The OfS continues to deliver operational efficiencies through technology solutions in line with the government's target of delivering a 'Digital First' public sector by 2020.<sup>15</sup> In 2019-20, this included:
- a. Continuous improvement and development of the Workday ERP system (delivering the finance and HR systems), including implementation of the Adaptive Insights planning and forecasting tool to improve visibility of impacts of decisions on costs and improve financial modelling capability; implementation of learning and development and performance management modules for all staff; implementation and inclusion of Workday within Microsoft Cloud App security, which tracks all user activity; and twice-yearly roll out of upgraded Workday functionality and versions to ensure security patches and protocols are up to date.
  - b. Continued roll out and development of active contract management through the Delta system for all contracts.
  - c. The introduction of core technology infrastructure to enable the OfS to operate effectively, specifically a customer relationship management system (CRM), a dedicated provider portal, and full roll out of the Sharepoint records management system.
  - d. The implementation of new Cloud-based collaboration tools such as Microsoft Teams.
31. The OfS's staff travel and subsistence allowance rules were developed in the light of the need for value for money and transparency. All claims for travel and subsistence, including an explanation of the nature of and reason for the expenditure, must be approved by the relevant budget manager. All travel and accommodation is booked through a contracted specialist provider to maximise economy and efficiency.
32. In accordance with government transparency requirements, the OfS publishes details of all spend over £25,000, board member and senior staff travel and expenses, gifts and hospitality, and procurement card spending over £500.<sup>16</sup>
33. Through system and transaction processing efficiencies the finance team was able to reduce its staff headcount by 1.6 full-time equivalent employees during 2019-20, saving associated salary costs. This was in part achieved by setting up a system to enable providers to pay OfS registration fees through direct debit or BACS. This resulted in 99 per cent of fees paid to deadline or within two weeks of payment due date, thus reducing the administrative burden of collecting late payments. The fee process was subject to internal audit with significant assurance given.
34. The OfS supports the Better Payment Practice Code, which targets payment within 30 days and monitors payment performance against this target.<sup>17</sup> We also monitor our performance against 10-day and five-day measures in line with the government's prompt payment policy. In

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<sup>15</sup> See <https://www.gov.uk/government/publications/uk-digital-strategy>.

<sup>16</sup> See [www.officeforstudents.org.uk/about/how-we-are-run/transparency-data/](http://www.officeforstudents.org.uk/about/how-we-are-run/transparency-data/).

<sup>17</sup> See <https://www.gov.uk/guidance/prompt-payment-policy>.

2019-20 our 30-day performance was 99 per cent of invoices, 10-day performance was 95 per cent and five-day performance was 88 per cent.

35. During 2019, following the mid-point review of our 2018-2021 strategy, the OfS made some organisational changes. The key change, a reduction in the number of directorates, was designed to support increased consistency of focus on our objectives and activities, including stakeholder engagement. This will improve our overall VfM.

## **Adopting principles for projects and activities to enable value for money to be maximised**

36. Our aims here are to:

- simplify wherever possible
- avoid duplication of effort
- identify and reform ineffective processes
- fully utilise supporting technology
- ensure consistency of processes and a 'single source of truth' for data.

37. We established a Portfolio Management Office (PMO) in 2018 to monitor our projects and operations. It oversees the delivery of the OfS business plan and assesses the potential benefits of new project ideas. It also monitors staff resource allocation across the OfS in response to senior management decisions about prioritisation and resourcing. All new projects are required to go through a start-up approach to ensure they are well planned and include consideration of resource, costs and benefits. The PMO has also recently introduced a costing approach for new projects to enable the anticipated cost of a project to be considered alongside the anticipated outcomes, and to help make judgements on best use of resources. The PMO has also recently introduced a project closure process that enables lessons learned to be captured, reviewed and shared. We will use this evidence to help us improve project performance in future. The PMO also acts as a centre of knowledge and advice on operations and projects, supporting the organisation to deliver work more effectively and efficiently.

38. Finance team business partners work with project teams on planned and proposed projects to ensure appropriate costing, budgeting and VfM activities are included in project proposals to the relevant project management as part of sound project governance.

## Measuring operational value for money

39. Following the development of the internal VfM plan, the OfS has also been looking at a range of indicators and measures to assess the impact of initiatives and activities on the overall value for money of the organisation.
40. We have developed a VfM dashboard with a range of measures which will be designed to inform the organisation on progress with improving VfM across the whole range of initiatives. These are being reported to senior managers on a regular basis from September 2020.
41. Overall measures of the efficiency and economy of the OfS can be expressed as either the cost of the OfS per registered provider or alternatively the cost to providers per student FTE. Provider registration fees were only introduced in August 2019, so financial year 2019-20 does not provide a full year of data for either of these measures. We will consider how these can be included in future reports.
42. In September 2020 the DfE published a series of proposals to reduce the regulatory burden on the higher education sector.<sup>18</sup> In light of this we have committed to reducing the registration fees paid by providers by 10 per cent in real terms over the next two years. We are currently working up plans to deliver this saving. It will be included in future targets for measures outlined in paragraph 40.

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<sup>18</sup> See <https://www.gov.uk/government/publications/reducing-bureaucratic-burdens-higher-education/reducing-bureaucratic-burdens-on-research-innovation-and-higher-education>.



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